

**Learning and Skills Council Provider Financial Assurance
Provider Control Risk Assessment - ESF Outputs, Outcomes and Milestones**

Ref

The purpose of this document is to record and assess controls operated by the provider to manage key risks relating to LSC funding.

The document records the controls stated by the provider to be in existence over the key administration processes that trigger LSC funding. Annex B gives examples of the key administration processes and controls for each of the risk areas. Examples of the controls given are for guidance only, as actual controls will vary from provider to provider. PFA auditors will consider the adequacy of the controls within the context of the nature and size of the provider's business.

On-site control existence checks will be carried out on a small sample of learner files and other relevant documentation to support the auditors' knowledge and understanding of the provider's controls recorded in this document.

The auditor will use the final column to record: -

- a. The evidence they have reviewed to support their understanding of the controls in place;
- b. The adequacy of the design of the control;
- c. Whether the control is being applied as described.

Annex A lists the agreed action points arising from the controls work including any matters arising from the Business Environment Questionnaire (BEQ).

The auditors will also gather assurance that recommendations made at the last PFA audit visit have been effectively implemented. An overall provider control risk assessment will then be made, which will inform substantive test sample sizes and PFA annual audit planning.

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- 1. Eligibility/Initial Assessment** (Risk - ineligible beneficiaries enter a learning programme, or eligible beneficiaries enter a programme that is not appropriate to their learning needs).

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
1.1	What controls are in place to ensure that only eligible beneficiaries enter the programme?		
1.2	What controls are in place to ensure that all beneficiaries are assessed before entry to learning?		

- 2. Start Payment** (Risk – funding is paid in respect of beneficiaries who did not start learning or start payment is paid at the incorrect rate).

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
2.1	What controls are in place to ensure that beneficiaries on the programme have started a programme of learning/activity?		

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3. Continued learning (e.g. working towards, OPPs) (Risk – beneficiaries are not making progress towards their learning aim)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
3.1	What controls are in place to ensure the beneficiary is making progress towards the targeted outcome/s?		
3.2	What controls are in place to ensure that withdrawals from the programme are identified in a timely manner and exited from the programme correctly?		

4. Outputs, Outcomes & Milestones (Other than Start payments) (To address the risk that invalid payments are made).

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
4.1	What controls are in place to ensure that only eligible provision is claimed through this programme?		
4.2	What controls are in place to ensure that all Outputs, outcomes are fully completed before the LSC is notified?		
4.3	What controls are in place to ensure that all milestones are fully completed before the LSC is notified of the achievement?		

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5. State Aid – (Risk – state aid rules are not applied.)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
5.1	What controls are in place to ensure that the appropriate Company Level Data Capture form (De Minimis, Employment Aid, Training Aid) is completed for each organisation?		
5.2	What controls are in place to ensure that the Company Level Data Capture form is fully and accurately completed by the organisation and validated by the provider?		
5.3	<p>De Minimis What controls are in place to ensure that</p> <ul style="list-style-type: none"> a. The level of contribution proposed for this intervention is checked at the beginning of the contract to ensure it does not breach de minimis rules? b. The organisation is informed at the end of the contract the level of contribution actually given during the intervention? 		
5.4	<p>Training/Employment Aid What controls are in place to ensure that the correct level of training/employment aid has been applied?</p>		

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5.5	Training/Employment Aid (Contribution) What controls are in place to ensure that the intervention rate applied does not exceed the level of contribution contracted?		
5.6	Training/Employment Aid (In-Kind) What controls are in place to ensure that: a. Evidence is available to support the hourly rate calculated for each individual? b. The timesheets for each individual have been completed?		
5.7	What controls are in place to ensure that management information in relation to state aid is aggregated for submitting to the LSC?		

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6. Publicity – (Risk – EC publicity requirements not met)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
6.1	What controls are in place to ensure that ESF logos are included on documentation relating to the project?		
6.2	How do you ensure that beneficiaries are fully aware that they are being supported by ESF monies?		

7. Management Information Systems - ILR/SR (Risk - management information is not reliable).

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
7.1	What controls are in place to ensure the accuracy and completeness of information held on the provider's and/or the LSCs' information systems?		

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8. Returns to the LSC – CMR (Risk – returns are inaccurate)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
8.1	What controls are in place to ensure the information on the monthly return is checked for accuracy?		
8.2	What control is in place to ensure evidence is available to support the claim?		
8.3	What controls are in place to monitor achievement against profile?		

9. Retention of Documentation (Risk – documentation to evidence the project activity is not retained)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
9.1	What controls are in place to ensure evidence is retained in line with the requirements in the funding agreement?		

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10. Devolved (or sub-contracted provision) (To address the risks associated with devolved provision).

Note: The focus of this section is the identification and assessment of the controls that a provider has in place over any sub-contracted provision, particularly with regard to the generic risk areas that the auditor has already enquired about above for directly delivered provision. We would also expect a provider to have controls in place to mitigate the risks of financial failure of and non-delivery by the sub-contractor, as the LSC would itself seek to mitigate those risks with the providers it directly contracts with.

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments
10.1	<p>How do you ensure that the sub-contractors engaged to deliver your LSC provision are financially sound?</p> <p>How do you ensure that they have the necessary skills, experience, resources and systems etc to be able to deliver?</p> <p>Do you have a formal sub-contracting agreement with each of your sub-contractors? Please provide us with a copy for each sub-contracting relationship.</p>		

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10.2	<p>How does the provider ensure that the risks associated with the following areas are controlled by its sub-contractors?</p> <ul style="list-style-type: none">• eligibility and initial assessment;• start payments;• continued learning;• outputs, outcomes & milestones (other than start payments);• state aid;• publicity;• management information systems;• returns to the LSC – CMR;• retention of documentation		
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11. Other key risk areas identified (Risk –)

	Risk Area	Actual control as ascertained from Provider	Auditors' control checks and comments

Prepared By:	Date:
Reviewed By:	Date:

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Annex A

Action Points Agreed With Provider (to be included in the audit report)

Risk Area	Action Point

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Annex B

Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
1.1	<p>Applicants complete an application form or other suitable document, which gathers all information needed to assess eligibility. A check list is completed to confirm beneficiary eligibility</p> <p>For non-UK nationals, copies of Home Office documents confirming status are held on file.</p> <p>An authorised member of the provider's staff interviews the applicant to confirm accuracy of completion of application form and resolve any queries.</p>	<p>Applicants' details are checked against LSC eligibility criteria and eligibility is confirmed or rejected. This check is evidenced through the signature of the member of staff on the checklist.</p> <p>Local manager carries out periodic sample checks of beneficiary files to confirm eligibility controls are operating satisfactorily and evidences these checks.</p>
1.2	<p>A control list of all new starters is prepared each week by an administrator, authorised by management and issued to the member(s) of staff responsible for carrying out initial assessments.</p> <p>Staff carries out assessments, complete an initial assessment report which is signed and dated by the assessor and beneficiary.</p> <p>Date of assessment is noted on control list as in above by assessor and returned to administrator.</p>	<p>Administrator checks list each week to ensure all assessments due have been carried out and evidences this check.</p> <p>Local manager carries out periodic sample checks of beneficiary files to confirm eligibility controls are operating satisfactorily and evidences these checks.</p>

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Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
2.1	<p>The short record/ILR is completed by the appropriate people and then input to the LSC database.</p> <p>The beneficiary start date on the short record/ILR is the date that the beneficiary actually started the activity.</p>	<p>Administrator checks that the short record is fully completed and initials and dates the short record/ILR as evidence of the controls check.</p> <p>Periodic management checks are carried out on samples of learner files to ensure reviews are in accordance with LSC contractual requirements.</p>
3.1	<p>Evidence of beneficiary activity is maintained in the beneficiary portfolio, assessment records or beneficiary file.</p> <p>Where a learner is not participating, appropriate counselling or exit action is taken and recorded.</p>	<p>Periodic management checks are carried out on samples of beneficiary files to ensure documentation is in accordance with LSC contractual requirements</p>
3.2	<p>The provider has effective monitoring arrangements in place to promptly identify beneficiary non-attendance and/or non-participation.</p> <p>Arrangements are in place for prompt follow up action to be taken and recorded for beneficiary who fail to attend and/or are not participating.</p> <p>Where learners are identified as not attending and/or participating, arrangements are in place for prompt interventions to remedy, or exit action to be carried out.</p>	<p>A leaver checklist is completed and signed for each leaver to ensure that evidence is available to support the leave date identified.</p> <p>All leavers have to be authorised by management to ensure that the withdrawals policy has been followed.</p> <p>Administrator checks that the short record is fully completed and initials and dates the short record as evidence of the controls check.</p>

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Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
4.1	The provider has access to an authoritative record of valid qualifications, frameworks and short courses.	Checks are carried out to ensure learners are registered for appropriate qualifications, frameworks and short courses.
4.2	<p>The external verifier should sign the claim form for those qualifications that the provider does not have direct claims status for.</p> <p>Course attendance registers are held</p> <p>Documented confirmation is sought from employer/FE/ WBL etc, and held by the provider.</p> <p>Tutors or appropriate person should sign of achievement and contractual evidence requirements of short courses.</p>	All evidence should be checked and authorised before a claim is made to the LSC.
4.3	Appropriate person should sign off achievement and contractual evidence requirements.	All evidence should be checked and authorised before a claim is made to the LSC.
5.1	The application form or eligibility form includes questions regarding size of organisation, sector and disadvantaged workers etc. The provider checks that the organisation / beneficiary is eligible under state aid rules and which data capture form should be completed if not specified in the contract or further information received from the LSC.	The application form/eligibility form is checked by an appropriate person and is signed and dated to evidence the check and indicate which form is applicable unless already specified by the LSC.

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Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
5.2	The appropriate company level data capture form is completed and signed by the appropriate signatories.	The company level data capture form is checked for accuracy and full completion by an appropriate person. This check is evidenced.
5.3	<p>The organisation confirms that the proposed level for the intervention at the beginning of the contract means that de minimis rules are not breached.</p> <p>The organisation keeps an ongoing record of the actual level of contribution during the intervention so that they have the total at the end of the contract</p>	<p>The organisation checks the proposed level of intervention against de minimis rules. This check is evidenced.</p> <p>The organisation checks the level of contribution at the end of the contract and keeps this information for future state aid interventions. This check is evidenced.</p>
5.4	The organisation gathers together the information to determine what level of training/employment aid is appropriate under state aid rules unless specified in the contract or further information received from the LSC.	The information gathered is checked against the state aid guidance to determine what level of aid is appropriate. This check is evidenced.
5.5	The organisation keeps details of the costs incurred and the amount that they have contributed.	The details of contributions made to costs incurred are periodically checked by management. This check is evidenced.
5.6	<p>The HR department in each organisation holds details of the hourly rates calculated for each individual.</p> <p>Timesheets are completed each week/month by the beneficiary, company and delivery organisation.</p>	<p>Timesheets are checked to ensure they are fully and accurately completed and appropriately signed before the provider signs.</p> <p>The beneficiary summary spreadsheet is updated when timesheets are completed. This is checked periodically by management who evidence the check.</p>

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Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
5.7	<p>The provider collects all appropriate state aid forms from all organisations.</p> <p>A control list is maintained of the state aid forms required from which organisations and their receipt.</p>	<p>Periodic management checks are carried out on the control list to ensure that the control list is being completed and kept up to date. This check is evidenced.</p>
6.1	<p>All documentation relating to the project carries the ESF logo. The ESF website is check regularly to ensure that the current logo is being used.</p>	<p>Periodic management checks are carried out on samples of beneficiary files to ensure documentation carries the ESF logo.</p>
6.2	<p>The beneficiary signs an ESF statement.</p> <p>Awareness sessions are carried out to inform all beneficiaries of the ESF funding being received to support their training/activity.</p>	<p>Periodic management checks are carried out on samples of beneficiary files to ensure that the beneficiary is aware that they are being funded by ESF.</p> <p>Beneficiary statement is signed and dated by management confirming the check.</p>
7.1	<p>Authorised provider staff working from authorised input documentation only carries out data input.</p> <p>Data is rejected if incomplete, i.e. SR not fully completed or signed and dated.</p> <p>Effective arrangements are in place for regular data back-up and off-site or secure storage of back-up media</p>	<p>Data is subject to periodic management checking and authorisation. Checks are evidenced.</p> <p>All amendments that have a funding implication are authorised by an appropriate person before input.</p> <p>Data is authorised by an appropriate person before transmission to the LSC.</p> <p>Physical controls exist to prevent unauthorised access to provider MI system. Access to computer equipment is password guarded.</p>

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Section	Examples of Processes to manage key risks.	Examples of Controls that could be applied to the processes.
8.1	Actual input on the CMR is reconciled to supporting list prior to submission of data to the LSC.	LSC Co-financing monitoring report (CMR) is accessed regularly, checked for accuracy, reconciled to provider records and checks/reconciliation are evidenced.
8.2	Supporting lists are held by the provider, which details beneficiary names and outputs/outcomes and milestones to be claimed.	Periodic management checks are carried out on samples of volume detailed on supporting lists to ensure evidence is available.
8.3	The provider reconciles monthly the actual output/ outcomes and milestones to contractual profile and contact LSC contract manager, where significant under/over performance occurs.	Evidence of monthly reconciliation is retained and is sign and dated. Any evidence of contact variations is held.
9.1	A documented Retention policy is in place in line with the requirements of the funding agreement/contract.	Appropriate person authorises archiving of documentation and evidenced authorisation.
10.1	The provider gathers evidence of potential sub-contractor's financial standing and capability to deliver what is required under the contract prior to contracting with them.	<p>Provider obtains satisfactory financial health assessments of sub-contractors prior to sub-contracting with them and continues to monitor the financial health of the sub-contractors as delivery progresses. These are performed by suitably qualified financial staff or are informed by the work of expert finance professionals, for example credit reference agencies.</p> <p>The provider obtains the necessary financial guarantees from its sub-contractors if it has concerns with regard to the financial health of a sub-contractor.</p> <p>The provider puts in place appropriate measures to mitigate the risks associated with the poor financial health of sub-contractors</p>

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	<p>The provider and its sub-contractors have a written agreement which defines the roles and responsibilities of both parties with respect to the sub-contracted provision.</p>	<p>if these sub-contractors have to be used e.g. payment on delivery.</p> <p>Provider carries out and documents an assessment of the capability to deliver of potential sub-contractors prior to sub-contracting with them. This should include assessment of areas such as providers' skills, experience, resources and systems.</p> <p>The provider has a current, legally enforceable contract in place for the devolved provision with each of its sub-contractors which clearly specifies matters such as:</p> <ul style="list-style-type: none"> • the responsibilities of the sub-contractor with regard to the control of the risks associated with its provision; • the amounts to be paid by the provider to the sub-contractor and the basis for payment; • the arrangements for clawback in the event that LSC audit identifies funding errors with regard to sub-contracted learners; • the rights of access of the LSC to the records of the sub-contractor. <p>As far as possible, as a minimum, the contract between the provider and its sub-contractors should mirror the contract that the provider has with the LSC.</p>
10.2	<p>The provider has staff that are responsible for validating the claims made by the sub-contractors for their learning provision and its outcomes.</p>	<p>Sufficient, suitably qualified and experienced provider staff carry out a programme of audit work on sub-contracted provision. This may include review of the key controls which the sub-contractor has in place to mitigate risks associated with LSC funding and/or comprise a programme of substantive testing of claims made.</p>

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